
The Other Side of the Fence: The International Customer's Role in Defense Security Cooperation

By

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Success is dependent on effort.

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Defense security cooperation programs, such as Foreign Military Sales (FMS) and International Military Education and Training (IMET), involve an intricate set of relationships. On one hand, the U.S. Government (USG) is the seller, supplier, or provider of defense articles, services, and training. In the process of providing defense items, the USG often makes purchases under the authority of the Federal Acquisition Regulation (FAR) from industry. In other instances, the international customer chooses to acquire defense items directly from industry under Direct Commercial Sales procedures which, at a minimum, involve USG review and licensing. The USG-industry relationship rightfully receives a lot of attention and, in fact, is one of the key foci associated with defense security cooperation reform and reinvention initiatives. However, there is another key player that warrants attention in the defense security cooperation process: the international customer.¹

Recognizing that progress and reform necessitate the insights and cooperation of participants, it is the intent of this article to supplement the reform and reinvention dialogue by looking beyond the USG and industry to the *international customer's role*. However, before venturing further, some caveats are in order. First, this article is aimed at the generalization level; it does not pretend to be comprehensive with respect to all details. Second, the traditional DISAM qualifier – “it depends” – applies. When the subject of other foreign government organizational structures and approaches are involved, there are several variants. Finally, the nature of the discussion is aimed more at those countries with which the United States has only recently established defense cooperation ties than to countries having longstanding and mature FMS programs.

RESOURCE CONSIDERATIONS

Why is it necessary or useful to focus on the international customer's role and responsibilities? One response is that the international customer is an interested and prime partner in the reform process, and how the customer adjusts to the current system as well as to any future systematic improvements is pertinent. Another response, plain and simple, is resources. If there were a codified defense security cooperation “general rule number one,” it could arguably be that somewhat familiar, if not trite, aphorism: there is no free lunch. As we well know, this adage applies to day-to-day commercial business dealings and general governmental processes. It also equally applies to the defense security cooperation relationships involving the USG, industry, and the international customer. Resources assume many manifestations: money, manpower, facilities,

and time, to name a few. Although there can be some financial assistance along the way, no party gets something for nothing.

Programmatic Resources

The USG goes to great length to identify and provide titles for different defense security cooperation programs. In fact, these programs or program elements are generally found in defense security cooperation-related statutes, including the Foreign Assistance Act of 1961, as amended; the Arms Export Control Act, as amended; the annual Foreign Operations Appropriations Act; or associated Armed Services legislation. These programs, in turn, are further referred to in applicable USG regulations or manuals, such as the Security Assistance Management Manual (SAMM, DoD 5105.38-M).

While such program distinctions are important for the United States, such nuances may contribute to the confusion of an international customer, particularly one that just recently started a defense cooperation relationship with the United States. From the USG's perspective, programs are often classified in such documents as the Congressional Presentation for Foreign Operations² as being of a cash or grant nature.

- **Cash Sales Programs.** These include FMS agreements that are accomplished on a government-to-government basis, as well as Direct Commercial Sales that involve a contractor-to-foreign government relationship. There is a duality of perspectives: a cash sale by one party (USG) is a cash purchase by another (international customer). In such instance, the resource implications to the international customer are relatively straight-forward: the customer not only uses its resources to purchase the item but further invests its manpower and other assets to effectively utilize it.

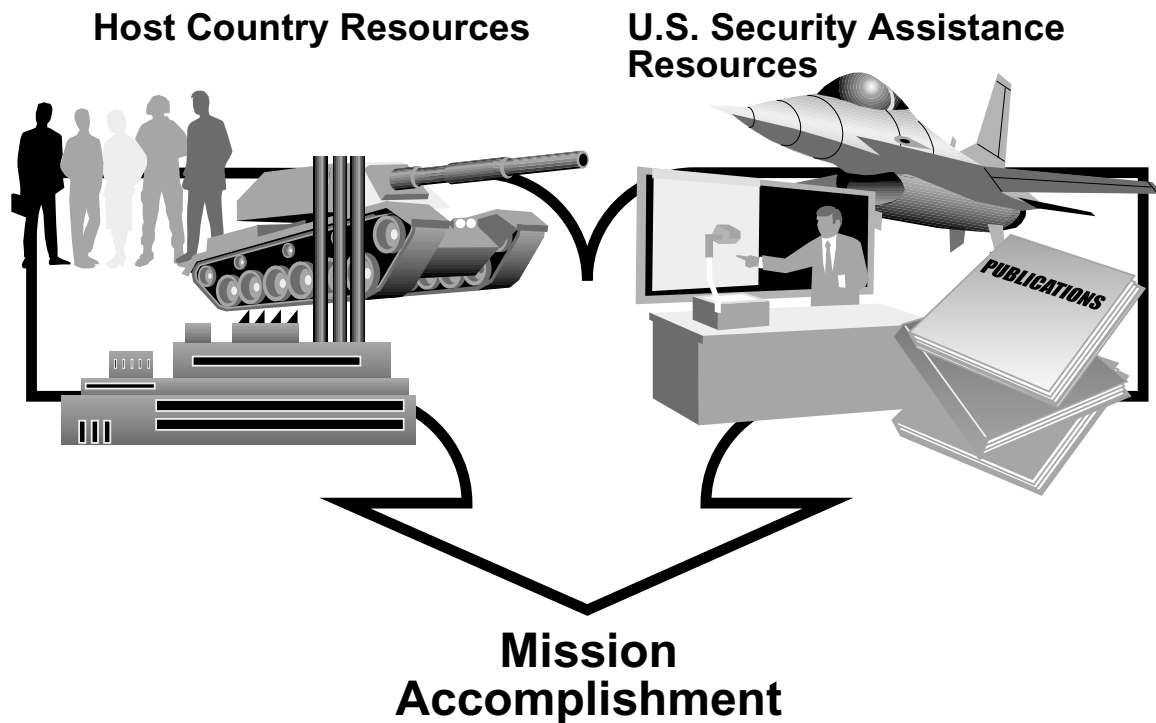
- **Grant/Financed Programs.** These include such programs as grant and concessional Foreign Military Financing (FMF), International Military Education and Training (IMET), and grant Excess Defense Articles (EDA). The main distinction is that the USG is providing the defense item or service without reimbursement from the international customer.

In the rhetoric of U.S. foreign assistance discussions, some observers tend to underestimate the international customer's total resource investment when it comes to grant programs. Does a USG grant program (e.g., grant EDA) really mean that there is no cost to the customer? Of course not. Notwithstanding the USG funding mechanism, the U.S.-provided articles and services are just the beginning of the overall resource investment. As seasoned defense cooperation practitioners are quick to mention, major defense systems are just the tip of the logistics iceberg. Substantial investments need to be made in follow-on support and sustainment, including training. And, as in cash sales programs, there are the customer's manpower and infrastructure investments. USG-provided grants do not represent total resources but rather serve as a resource multiplier. Successful mission accomplishment results when the resources from the respective parties are effectively combined through a synergistic process. (See Figure 1)

In addition to cash and grant programs, there are other defense cooperation program elements, such as leases. The common denominator of all defense cooperation program areas is the mutual investment of resources among the affected parties. Regardless of the funding approach, all participants are stakeholders. Moreover, defense security cooperation programs are characterized by extensive lateral communications among the USG, industry, and the international customer.

In addition, the communication involves a grasp of relatively specialized terminology (e.g., Letter of Offer and Acceptance, dependable undertaking, Expanded IMET) with sufficiently complex legal, regulatory, and procedural aspects. In essence, the programs and relationships are not to be taken lightly and work best in the presence of a knowledgeable and dedicated cadre of professional managers and technicians on the part of the international customer.

Figure 1 - Combined Resources



Organizational and Personnel Resources

When examining resource implications, a visible component is organizations. The U.S. Government, for its part, has dedicated organizations to plan and implement security cooperation programs (e.g., Defense Security Cooperation Agency, U.S. Army Security Assistance Command, Naval Education and Training Security Assistance Field Activity, Air Force Security Assistance Center). After all, the USG assumes a responsibility and obligation for carrying out its part of the FMS agreement or other program event, and organizations make things happen in terms of responsive customer service. Another USG resource investment output is education and training, again performed by organizations. For instance, there are a number of education and training programs (e.g., courses at the Defense Institute of Security Assistance Management, Defense Resources Management Institute) which can help prepare both U.S. and international members to better manage such programs.

Industry often has special organizational entities, such as international marketing offices or export control monitoring offices. Industry, too, might use authorized foreign agents to facilitate FMS and commercial sales marketing efforts. As shall be discussed next, the international customer must also cope with the defense security cooperation organizational resource issue.

CUSTOMER GOVERNMENT ORGANIZATIONAL APPROACH

The defense cooperation processes that the USG takes for granted, due to many years of experience and repetition, may appear to be relatively complex to another friendly government that is unfamiliar with such programs. Thus, a question sometimes asked by governments about to embark on a new defense cooperation relationship with the United States is: Where do we start? What must we do first? A generic, yet relevant, response is with the relationship between the organizations of the two governments. Among other things, this involves the establishment of an internal policy coordination office.

Need for Policy Coordination Office

The U.S. security assistance organization or office (SAO) within the American Embassy can serve as a valuable source of information and as a liaison with other USG organizations. Nonetheless, since the host government is expected to accomplish management functions in its own right, steps need to be taken to build a policy coordination and technical base. Governments with which the United States has defense security cooperation relationships initially need an organizational focal point. To facilitate further conceptual discussion, this shall be generically referred to as a “customer-government policy coordination office” for defense cooperation matters.

Lacking such an office, the SAO, other embassy officials, USG visitors, and industry-marketing representatives have little choice but to contact whatever organization or official they think appropriate. This may or may not be the right organization or official from the customer’s standpoint. Moreover, the absence of a policy coordination office with a clear charter and delegation of authority causes quite mundane issues to be unnecessarily elevated to a disproportionately high level (such as the Deputy Minister of Defense). Worst yet, such absence can cause costly delay or inaction when pressing issues need to be resolved.

Misunderstandings concerning organizational roles sometimes occur, especially when an SAO is present within a country. In this regard, seasoned practitioners understand that the SAO is neither staffed nor expected to perform tasks that are the proper responsibility of the host government. For example, it is not the role of the SAO to prepare requisitions for FMS blanket-order cases or to review the international customer’s FMS delivery listing line-by-line for internal reconciliation purposes. As another example, it is not the proper role of the SAO to have to hunt for qualified student candidates to attend DoD schools or to do all the administrative screening actions associated with student selection. Rather, the customer must assume its applicable responsibilities for functions as a stakeholder in the defense security cooperation process and as a beneficiary of U.S. defense articles, services, and training. A properly staffed policy coordination office can help in this process.

Location and Structure of a Policy Coordination Office

When selling and buying houses, real estate marketing theory teaches us that location is important but it also teaches us that it is hard to sell a house if the internal fixtures and plumbing do not work as intended. In the world of defense security cooperation, “good location” often means being in the right organizational spot to get things done as well as having accessibility to officials that can make crucial decisions. With this in mind, the policy coordination office can theoretically be located anywhere within the defense ministry that has a substantive involvement

in defense cooperation policy and procedural matters. Sometimes, the policy coordination office is located within the acquisition secretariat of the Ministry of Defense (MOD), with the justification that FMS and direct commercial sales involve acquisition decisions from the customer's perspective. For equally valid reasons, the office might be located in the planning and programming portion of the MOD. In essence, it depends on several factors such as the size of the program, the local organizational environment, and local preferences.

In countries with longstanding and well-established defense cooperation programs, there might be a principal coordination office in the MOD with satellite coordination offices in the military services. No single size or model necessarily fits all countries. In those instances where the defense cooperation relationship with the United States government reaches a relatively significant threshold, additional management approaches may have to be examined. For instance, some governments have established purchasing offices in their embassies in Washington, DC. Countries with large FMS follow-on logistics cases may explore placing a liaison officer at one or more U.S. international logistics control offices, such as the Air Force Security Assistance Center (AFSAC). These initiatives, of course, must be funded by the customer and would likely follow a cost-benefit analysis.

Role of a Policy Coordination Office

What functions might a policy coordination office perform? Several. For instance, the office might coordinate decision papers relative to defense cooperation matters. It may also function as the corporate memory on behalf of the customer country, and serves as the day-to-day point of contact within its own government structure with the American Embassy Security Assistance Office, representatives from visiting U.S. Government security cooperation offices (e.g., USASAC), and industry representatives. In essence, the policy coordination office is the nucleus of general expertise relative to defense cooperation issues within the customer's government.

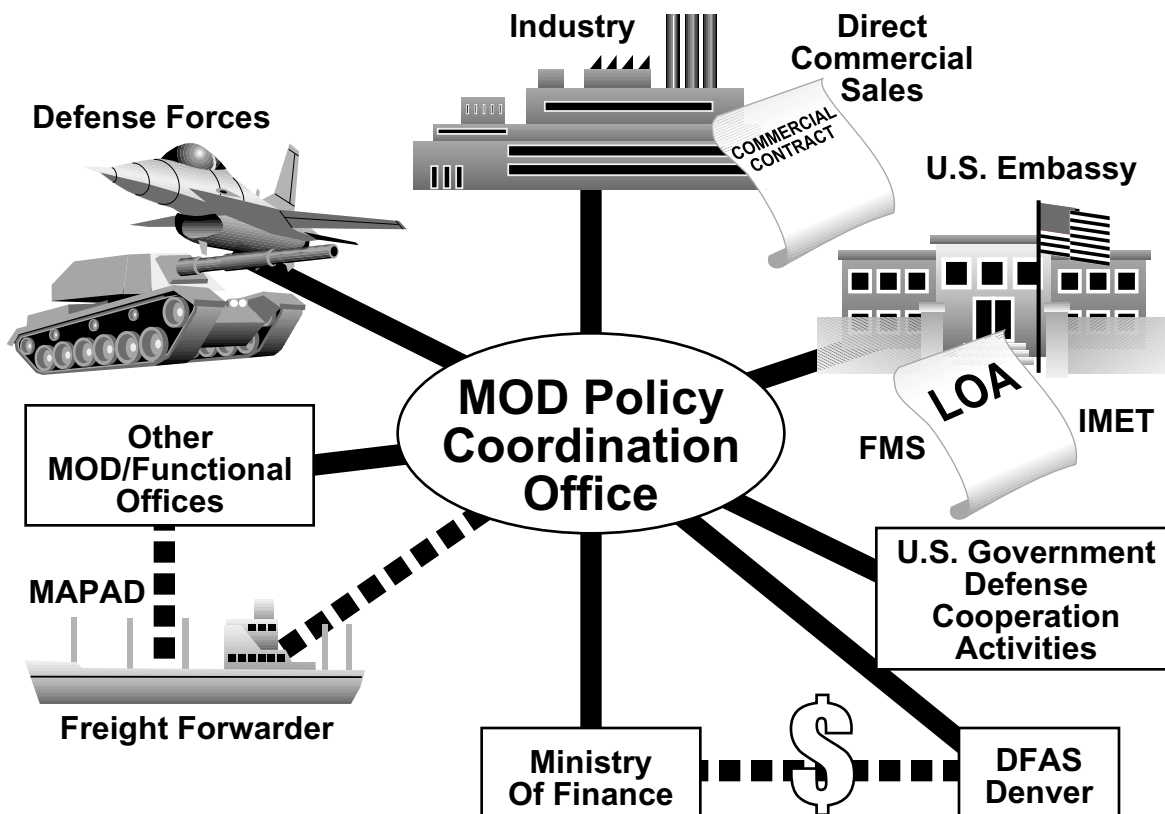
Equally important, the policy coordination office should have a clear charter with respect to the scope of its authority as well as a good working knowledge of which offices are impacted by defense cooperation matters. Using a mechanics parallel, the policy coordination office often serves as the gear that causes other gears to move or stop moving. For instance, the policy coordination office might initiate action to get a blanket order logistics or training case established. As another example, this office would be in good position to recognize when the host government wants to possibly pursue a commercial purchase in lieu of a FMS proposal. Since it is the U.S. government's policy not to provide FMS data to the customer while commercial negotiations for the same item are in process at the same time, the policy coordination office could educate other Ministry of Defense or military service organizations with regard to such matters.³

While getting things initiated at the right time is critical, it is important not to underestimate the value of knowing when to stop unnecessary movement. When senior customer government officials have decided that they do not wish to acquire a certain American defense system or to pursue a prospective defense initiative, this information should be shared. In this latter regard, the policy coordination office can play a helpful role by making this matter promptly known to concerned parties, e.g., SAO, other Ministry of Defense or military service offices. Otherwise, several participants may be spinning their wheels by venturing into or continuing unproductive discussions.

Intra-Governmental Networking

It is important to recognize that the centralized policy coordination office, while serving as a distinct focal point, does not itself have to be performed all governmental functions. Following along the earlier example, the policy coordination office may not be the proper entity to prepare requisitions; this function may more properly be part of the duties of logistics personnel within the country's armed services. Similar to the U.S. defense cooperation organizational structure, the policy coordination office should network with and draw upon other functional organizations (e.g., military forces, Ministry of Finance, other Ministry of Defense offices, etc.) for specialized needs. Naturally, the effective decentralization of these functional duties implies that the appropriate personnel will have the essential education and training background. While it is impossible to capture a complex concept in one graphic, Figure 2 illustrates some of the coordination and interface roles of the policy coordination office.

Figure 2 - Customer Government Organizational Interfaces

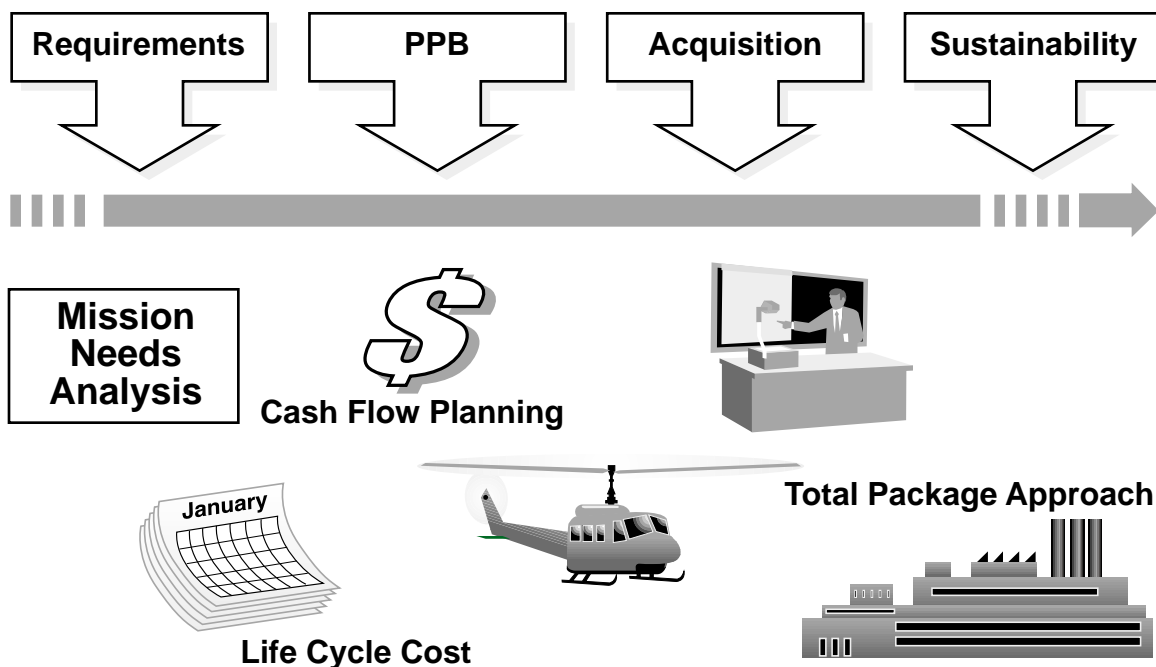


THE CUSTOMER'S PROGRAM MANAGEMENT SKILL BASE

A longstanding principle is that the U.S. government encourages recipient governments to strive for administrative self-sufficiency and self-reliance.⁴ In order to be a full defense cooperation partner, a government must initially develop some new skills. For instance, it is expected to understand the general framework and legal conditions associated with a FMS Letter of Offer and Acceptance (LOA), be able to prepare requisitions in the standard format, acquire and manage a freight forwarder, review shipping and billing documentation, and to perform other

related tasks. This requires the development of an organizational infrastructure with personnel possessing a number of management and technical skills. Figure 3 illustrates some resource management processes generally associated with defense security cooperation. While not all inclusive by any means, the following skill areas are especially pertinent to participation in a defense security cooperation relationship with the United States.

Figure 3 - Defense Security Cooperation Resource Management Processes



Planning, Requirements Determination, and Program Management Skills

- Forecasting and establishing requirements, setting priorities, and aligning requirements to available resources.
- Determining which U.S. defense systems to acquire, together with identifying the associated operational, maintenance, logistics, and training concepts to be applied in a total package approach (TPA).
- Maintaining a current library and being familiar with key U.S. Government regulations and manuals, e.g., Security Assistance Management Manual (SAMM) or International Traffic in Arms Regulation (ITAR). The Defense Acquisition Deskbook, which is available by quarterly CD-ROM or through the Internet, is a highly recommended source of information.
- Preparing FMS Letters of Request (LORs) in the proper format. Often this will necessitate familiarity with U.S. military service publications such as Air Force Manual 16-101, "International Affairs and Security Assistance Management," which has checklists for LOR preparation, e.g., communication system request checklist.

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- Accepting FMS Letters of Offer and Acceptance (LOAs) with the proper informational blocks completed.
 - Using automation tools (e.g., computer databases, Internet access) to assist in obtaining and organizing data.

Acquisition Management Skills

- Understanding general acquisition principles in a competitive market economy, which would be applicable to FMS or direct commercial sales purchases.
- Having a general understanding of U.S. Security Assistance Management Manual (SAMM), relevant Federal Acquisition Regulation (FAR) provisions, and the LOAs Standard Terms and Conditions which guide the relationships among the international purchaser, the U.S. government, and the contractor.
- Understanding the general premises underlying the U.S. defense acquisition process, especially the FAR requirements to contract with full and open competition.
- Preparing complete, justifiable requests/LORs for particular source (sole-source) procurements under FMS.
- Being sufficiently familiar with USG acquisition processes to take advantage of U.S. FMS reinvention initiatives such as attending selected FMS contracting negotiations, should that be desired by the procuring government.⁵
- Sufficiently understanding U.S. business law as it applies to direct commercial purchases since contract dispute jurisdiction may reside within one of the U.S. states.

Resource and Financial Management Skills

- Doing life-cycle cost analyses in order to compare and evaluate proposals from commercial vendors. Applying other applicable evaluation techniques to decision making, e.g., present value analysis.
- Doing Planning, Programming, and Budgeting (PPB) or equivalent planning to financially plan for future year defense equipment acquisitions and sustainment of training and logistics support.
- Establishing commitments/obligations within internal host government financial systems for cash sales agreements.
- Reviewing billing statements, e.g., FMS Billing Statement (DD Form 645), for accuracy. Reviewing FMS holding accounts and monitoring cross-leveling arrangements in conjunction with the Defense Finance and Accounting Service - Denver Center. [Note: The use of grant/loan financing under FMF or use of the EDA program will give the U.S. Government a major financial management and tracking role. However, the host government will usually need to augment such U.S. grant/loan programs with its national funds in order to meet total defense support needs.]

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- Using the delivery listings which accompany the DD 645 to reconcile the status of requisitions found on other logistics documents, such as the quarterly requisition reports.

Logistics Management Skills

- Preparing requisitions in the Military Standard Requisitioning and Issue Procedures (MILSTRIP) format for FMS blanket order and Cooperative Logistics Supply Support Arrangement Cases.
- Tracking open requisitions and reviewing deliveries. Initiating follow-up actions to obtain status on aged blanket under requisitions. Reviewing and responding to shipment status notifications.
- Determining whether the size of the logistics program warrants the use of the Supply Tracking and Reparable Return/Personal Computer (STARR/PC) system and, if so, ensuring that an adequate number of personnel are trained to use such system.
- Keeping the Military Assistance Program Address Directory (MAPAD) up to date relative to the desired shipping destinations and status receiving offices.
- Selecting, managing, and overseeing the performance of the freight forwarder and paying the freight forwarder out of national funds for the services provided.⁶
- Preparing Supply Discrepancy Reports (SDRs) to obtain refunds or corrective action when warranted.
- Monitoring the end-use including disposal of U.S.-provided defense items. Obtaining USG approval prior to making any third-country/party transfers of U.S. items.
- Knowing how to obtain excess items (which, due to the “excess” categorization and condition code, can result in cost savings).⁷

Education and Training Administration Skills

- Identifying overall education and training needs.
- Identifying and screening candidate students. Ensuring students meet English language training (ELT) and other (e.g., human rights) criteria for selected U.S. courses.
- Overseeing the proper utilization of in-country English language laboratories.
- Managing budgets for FMS education and training programs nationally funded through FMS cases.
- Being familiar with the Training Management System (TMS) and its associated management products in order to track FMS and IMET training.

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- Being able to use the Internet-based International Security Assistance Network to electronically access the Integrated Standardized Training List for use within the TMS software package.⁸

MANAGEMENT DEVELOPMENT

Fortunately, there are several courses available from the USG that may prove helpful to an international customer country wishing to enhance its skill base. While by no way comprehensive, the below list illustrates the types of courses that are available. Some courses are available in a mobile education or training team (MET/MTT) mode.

Defense Security Assistance Management Courses

- Security Assistance Management - Planning and Resource Management (DISAM - Mobile Education Team Mode Only)
- Security Assistance Management - Foreign Purchaser (DISAM)
- Security Assistance Management - Logistics Customer Service (DISAM)

Resource Management Courses

- International Defense Management Course (Defense Resources Management Institute, Monterey, California)
- Senior International Defense Management Course (DRMI)

Acquisition Courses

- Multiple - Contracting Courses (Naval Postgraduate School for Acquisition Education⁹)
- Fundamentals of Systems Acquisition Management¹⁰

Logistics Courses

- International Supply Officer - Basic Course (Navy Supply Corps School, Athens, Georgia)
- Supply Management for Senior Foreign Officers (Naval Supply Systems Command, Mechanicsburg, Pennsylvania)
- Logistics Management Development (Army Logistics Management Center, Fort Lee, Virginia)
- Logistics Executive Development (ALMC)

SUMMARY

The management of defense security cooperation programs involves multiple parties, including the USG, industry, and the international customer. Notwithstanding the cash or grant

financing methodology, the international customer is expending its internal resources whenever it engages in security cooperation programs. These resources take the form of manpower, facilities, time, and other areas as well.

Due to the very nature of the defense security cooperation relationship, the international customer must take responsibility for certain actions. Among other tasks, the customer should be able to perform basic administrative self-sufficiency functions such as understanding the terms and conditions of FMS agreements and FMS billing statements, screening and selecting students to attend courses under FMS and IMET programs, and managing transportation arrangements (when using a freight forwarder). Such functions involve interfaces among various customer organizations within and outside the customer government and further argue for the presence of a policy coordination office to facilitate such interfaces.

The development of selected management skills should be another international customer priority. Of course, management skill development takes the investment of time and other related resources. When such investment is made, it has been shown that the customer is much more effective in managing its defense cooperation programs which, in turn, are being accomplished to enhance its overall defense posture.

End Notes

¹The international customers' perspectives are sought, along with those of the USG and industry, as part of the defense security reform effort. See Craig M. Brandt, "Defense Security Cooperation Reform Day: Security Cooperation for the Next Millennium" and associated articles in *The DISAM Journal of International Security Assistance Management*, Summer 1999.

²Secretary of State, Congressional Presentation for Foreign Operations, Fiscal Year 2000, Washington, DC, 1999.

³See *Security Assistance Management Manual* (DoD 5105.38-M), Section 601, regarding FMS Price and Availability (P&A) or Letter of Offer and Acceptance (LOA) data versus a commercial proposal.

⁴In a related sense, one example of the performance evaluation criteria for the International Military Education and Training (IMET) program is "continued improvement of governments in utilizing their defense resources, including U.S.-origin equipment, with maximum effectiveness, thereby contributing to greater self-reliance." Source: Secretary of State, Congressional Presentation for Foreign Operations, Fiscal Year 2000, p. 1103.

⁵See Deputy Secretary of Defense memorandum, "Department of Defense Policy on Customer Participation in Foreign Military Sales (FMS) Contract Preparation and Negotiations," March 28, 1999. This memorandum is available on the Defense Security Cooperation Agency (DSCA) web page (<http://www.dsca.osd.mil>).

⁶See *The Management of Security Assistance*, 19th edition, Appendix 1, for a checklist of freight forwarder responsibilities.

⁷See Jill Schillinger, "The Defense Revitalization and Marketing Service: Another Source of Material for the FMS Customer," *The DISAM Journal of International Security Assistance Management*, Summer 1999, pp. 1-7.

⁸See Major Dennis Olson, "The International Security Assistance Network: Paving the Way for Greater Customer Involvement," *The DISAM Journal of International Security Assistance Management*, Summer 1999, pp. 105-109.

⁹Relates to the International Acquisition Management Course series, consisting of up to 64 courses taught by members of the Defense Acquisition University (DAU) consortium, the Naval Postgraduate School, and the Naval Center for Acquisition Training (Source: Expanded IMET Handbook; point of contact for U.S. Navy international acquisition training: train@nps.navy.mil). Phase 1 is a site survey, phase 2 (optional) is the tailoring of a specific curriculum, and phase 3 is the actual instruction.

¹⁰The Acquisition (ACQ) 101 Course is on the Internet and is no longer taught in residence. However, if a foreign government wishes to enroll a student, it may be possible to do so in the correspondence course mode. Also, the Material Acquisition Management Course, a seven-week resident course that covers beginning and intermediate U.S. Army acquisition, may be an alternative.

ABOUT THE AUTHOR

Dr. Larry A. Mortsolf has been affiliated with DISAM since October 1976 as a professor, the Director of Research, the Dean of Academic Affairs, and the Deputy Commandant. Prior to coming to DISAM, he served on active duty with the U.S. Navy and is now retired from the Naval Reserve with the rank of Captain, Supply Corps. He has a M.S. in Logistics Management from the Air Force Institute of Technology and a Ph.D. in Political Science from the University of Cincinnati.